

Message Text

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ACTION SS-30

INFO OCT-01 ISO-00 /031 W

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R 231107Z OCT 73

FM AMEMBASSY ISLAMABAD

TO SECSTATE WASHDC 1697

C O N F I D E N T I A L SECTION 1 OF 2 ISLAMABAD 9174

EXDIS

E.O. 11652: GDS

TAGS: EAID, PK

SUBJ: GOP PL 480 REQUESTS AND US AID TO PAKISTAN

REF: STATE 204419 AND 205533

SUMMARY: SECRETARY'S RESPONSE TO MINISTER OF STATE'S APPEAL FOR FOOD AID HAS BEEN DELIVERED PERSONALLY TO AZIZ AHMED. UNAVAILABILITY OF ADDITIONAL PL 480 WHEAT WAS FURTHER EXPLAINED TO HIM BUT IT WAS EMPHASIZED THIS SHOULD BE SEEN IN CONTEXT OF OTHER SUBSTANTIAL AND POSITIVE AID ACTIONS WHICH WE ARE TAKING OR CONTEMPLATING; LATTER ARE EVIDENCE OF PRESIDENT'S DESIRE TO BE AS HELPFUL AS POSSIBLE ON PAKISTAN'S SPECIAL REQUIREMENTS AS RESULT OF FLOOD DISASTER. MINSTATE RAISED POSSIBILITY OF CCC CREDIT AND PRESSED FOR FURTHER CONSIDERATION DESPITE OUR REPEATED STATEMENT THAT NO ENCOURAGEMENT COULD BE GIVEN RE CCC CREDIT. IT IS HOPED THERE CAN BE SOME OPENING ON CCC QUESTION.
END SUMMARY.

1. WHEN AZIZ AHMED, MINISTER OF STATE FOR DEFENSE AND FOREIGN AFFAIRS, ASKED ME TO CALL ON HIM MORNING OCTOBER 23, I DECIDED TO USE OCCASION NOT ONLY PERSONALLY TO DELIVER SECRETARY'S LETTER TO HIM BUT ALSO TO REVIEW VARIOUS POINTS ON FOOD AND AID WHICH I HAD PLANNED TO TAKE UP DIRECTLY WITH PRIMIN BHUTTO. I EXPLAINED TO AHMED THAT I OWED PRIMIN A RESPONSE FROM OUR CONVERSA-
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TION TWO WEEKS AGO BUT WOULD LEAVE UP TO HIM WHETHER HE WANTED TO HEAR FROM ME DIRECTLY THAT I WOULD NOW BE GOING OVER WITH AHMED.

2. AHMED READ SECRETARY'S LETTER OF OCTOBER 14. HIS FACE TOOK ON A PREDICTABLY GLUM EXPRESSION.

3. RECALLING PRESIDENT'S REMARKS TO PRIMIN IN WASHINGTON, I SAID WE ARE DEEPLY MINDFUL OF PAKISTAN'S SPECIAL REQUIRMENTS FOR AID THIS YEAR. WE ARE TRYING TO BE AS HELPFUL AS POSSIBLE IN THE CONTEXT OF THESE REQUIREMENTS AND DEEP US FRIENDSHIP FOR PAKISTAN, BUT ALSO IN CONTEXT OUR OWN EXTRAORDINARILY SEVERE CONSTRAINTS ON FOOD AVAILABILITIES FOR CONCESSIONAL AID. I SAID EFFORTS TO MAKE A SPECIAL ALLOCATION OF 100,000 TONS OF WHEAT (ANNOUNCED BEFORE BHUTTO VISIT) AND 40,000 TONS SORGHUM UNDER PL 480 REFLECTED SPECIAL IMPORTANCE THE PRESIDENT ATTACHES TO US RELATIONS WITH PAKISTAN AS WELL AS OUR COMMITMENT TO DO WHAT WE COULD TO HELP MEET PAKISTAN'S NEEDS STEMMING FROM THE FLOOD DISASTER. BUT WE SIMPLY WERE NOT IN POSITION, GIVEN OUR OWN PARTICULAR PROBLEMS, TO PROVIDE ADDITIONAL PL 480 WHEAT THIS YEAR. I SAID I HOPED GOP WILL UNDERSTAND AND APPRECIATE OUR OWN PROBLEM. AS FOR SORGHUM, WE HAD NOW RECEIVED AUTHORIZATION TO NEGOTIATE AGREEMENT WITH GOP AND I HOPED WE COULD SIGN IT PROMPTLY. WE ALSO HOPED TO MOVE RAPIDLY ON 40,000 TONS PL 480 VEG OIL FOR DELIVERY THIS FISCAL YEAR; WE KNOW THIS IS LESS THAN GOP REQUESTZCMAND WE WILL CONTINUE REVIEW AVAILABILITIES IN MONTHS AHEAD; EVEN SO, I NOTED, 40,000-TON ALLOCATION WILL MAKE PAKISTAN LARGEST SINGLE RECIPIENT OF PL 480 VEGOIL THIS FY. I THEN SAID THAT, SHOULD ANYONE FORGET, WE ARE DOING A GOOD DEAL OUTSIDE OF FOOD SUPPLY IN EFFORT TO BE HELPFUL IN ALLEVIATING PAKISTAN'S SHORTER AND LONGER TERM ECONOMIC BURDENS. I WENT INTO SOME WAYS IN WHICH WE HOPED THAT \$95 MILLION AID PROPOSED BY SENATOR HUMPHREY COULD BE USED TO HELP OVERCOME FLOOD LOSSES, SUBJECT OF COURSE TO CONGRESSIONAL APPROVAL OF THIS SPECIAL AID. I NOTED THAT WE WERE ALREADY WELL ALONG IN NEGOTIATING SPECIAL EMERGENCY AGRICULTURAL PRODUCTION LOAN OF \$18 MILLION WHICH
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I HOPED COULD BE SIGNED THIS WEEK. THEN I RECALLED PRESIDENT'S PERSONAL ASSURANCE TO PRIMIN ON DEBT PROBLEM. USG WAS COMMITTED TO BE HELPFUL TO GOP IN WORKING OUT GENERIOUS RESCHEDULING WHICH SHOULD BE OF CONSIDERABLE ECONOMIC BENEFIT TO PAKISTAN OVER NEXT FEW YEARS. OUR OVERALL ASSISTANCE TO PAKISTAN SHOULD LEAVE NO ONE IN DOUBT OF OUR DESIRE TO BE HELPFUL TO EXTRAORDINARY DEGREE, DESPITE OUR INABILITY PROVIDE MORE CONCESSIONAL WHEAT THIS YEAR.

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FM AMEMBASSY ISLAMABAD

TO SECSTATE WASHDC 1698

C O N F I D E N T I A L SECTION 2 OF 2 ISLAMABAD 9174

EXDIS

4. AHMED LISTENED CAREFULLY AND SAID GOP WAS GRATEFUL FOR OUR HELP. THERE WAS NO DOUBT ABOUT THAT. THEY WERE VERY MUCH WORRIED, HOWEVER, ABOUT RUNNING OUT OF WHEAT. THEY HAD DECIDED THAT THEY HAD TO HAVE MINIMUM OF 700,000 TONS STOCK BY END OF DECEMBER (THIS SOMEWHAT LESS THAN ONE MILLION STOCK WHICH MANY HAVE

BEEN ADVOCATING). HE MENTIONED POSSIBILITY OF RIOTS IF WHEAT NOT AVAILABLE AND SAID THIS NATURALLY HAD EXTREMELY HIGH PRIORITY FOR GOP. AHMED NOTED THAT GOP HAD ARRANGED TO PRODUCE ABOUT 250,000 TONS WHEAT FROM CANADA INCLUDING SMALL GRANT PORTION WHILE REMAINDER WAS TO COST SOME \$20 PER TON MORE THAN US WHEAT. HE EXPLAINED ACCEPTANCE OF HIGHER WHEAT PRICE IN CANADA ON GROUNDS THAT GOC HAD AGREED TO PROVIDE SOME CREDIT (WHICH HE THOUGHT WAS FOR THREE YEARS). AHMED SAID GOP HAD HOPED THAT IF USG ABSOLUTELY COULD NOT PROVIDE PL 480 WHEAT WE COULD AT LEAST OFFER SOME COMMERCIAL-TYPE CREDIT. HE ASKED WHERE THIS STOOD. I REPLIED I COULD OFFER NO ENCOURAGEMENT REGARDING CREDIT. HE

PRESSED ME VERY HARD ON THIS POINT, COMING BACK TO IT SEVERAL TIMES. HE SAID PRESIDENT HAD TOLD BHUTTO THAT SUPPLY OF WHEAT WAS NOT FINANCIAL PROBLEM BUT RATHER A PROBLEM OF AVAILABILITY. NOW IF WHEAT WERE AVAILABLE, WHY SHOULD THERE BE PROBLEM ABOUT MAKING EVEN THREE-YEAR COMMERCIAL-TYPE CREDIT AVAILABLE TO PAKISTAN? HE SAID GOP WAS STRAPPED FOR CASH AND EVEN CONFIDENTIAL

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THREE-YEAR CREDIT WOULD BE MOST HELPFUL. I REPEATED SEVERAL TIMES THAT I COULD OFFER NO ENCOURAGEMENT ON POSSIBILITY OF GETTING CCC CREDIT AND GOP HAD TO MAKE ITS PLANS ACCORDINGLY. AHMED SAID THAT OFFEREING NO ENCOURAGEMENT MEANT QUESTION WAS NOT FULLY DECIDED AND HE HOPED GOP COULD GET FINAL ANSWER VERY SOON. I SAID WHAT I WAS TELLING HIM WAS THE ANSWER TO QUESTION WHICH

GOP HAD BEEN PUTTING TO US ON THIS SUBJECT. GOP SHOULD PLAN ACCORDINGLY IN LIGHT OF ITS OWN ASSESSMENT OF NEED TO ARRANGE URGENTLY FOR ADDITIONAL WHEAT PROCUREMENT WE LEFT IT AT THAT, WITH MY AGREEING THAT OF COURSE WE WOULD NOTIFY GOP IMMEDIATELY IF RPT IF THERE WERE ANY OPENING ON CCC CREDIT.

5. COMMENT: I BELIEVE SOME HEADWAY HAS BEEN MADE IN GETTING GOP TO TAKE BROADER VIEW OF OUR POSITIVE AID RELATIONSHIP DESPITE OUR INABILITY MEET THEIR REQUEST ON PL 480 WHEAT. AT ONE POINT IN OUR CONVERSATION, AHMED MADE POINT WHICH APPEARED IN HIS LETTER TO SECRETARY, TO EFFECT THAT PAK PEOPLE MIGHT CONSIDER BHUTTO'S VISIT TO US AS "COMPLETE FAILURE" IF FURTHER FOOD AID NOT FORTHCOMING; I SCOFFED AT THAT POSSIBILITY IN LIGHT ALL THE OTHER THINGS WE ARE DOING, AND I AM FAIRLY CONFIDENT AHMED WILL NOT RETURN TO THAT LINE. BUT A LOT DEPENDS ON CONGRESSIONAL APPROVAL OF SPECIAL FLOOD-RELATED EMERGENCY AID.

6. I FOLLOWED FAITHFULLY DEPARTMENT'S ADMONITION ON NOT OFFERING ANY ENCOURAGEMENT ON POSSIBILITY OF CCC CREDITS. THIS IS ONE ISSUE ON WHICH IT SEEMS HARDEST FOR GOP TO UNDERSTAND OUR RATIONALE. THEY SEE CCC CREDIT AS NO MORE THAN VERY SHORT-TERM ASSIST ON A NORMAL COMMERCIAL TRANSACTION, AND THEY THINK THEIR SPECIAL FLOOD-RELATED PROBLEM SHOULD CLINCH THEIR CASE FOR SUCH CREDIT. I FEAR WE SHALL NOT BE ABLE TO CONVINCE THEM OTHERWISE. CONVERSELY, GOP WOULD TAKE IT AS TANGIBLE SIGN OF OUR SYMPATHY FOR THEIR SPECIAL PROBLEM AT THIS TIME IF WE COULD SURPRISE THEM WITH OFFER OF CCC CREDIT. I URGE THAT THIS MATTER NOT BE DROPPED IF THERE IS ANY CHANCE OF REVERSING THE PRESENT STAND. BUT TIME IS VERY SHORT.
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